

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 CCO-00 (ISO) W

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R 101902Z NOV 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 3272

C O N F I D E N T I A L QUITO 07621

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DEPT 23

FROM DEPUTY SECRETARY INGERSOLL

E.O. 11652: GDS

TAGS: PFOR, EC, US, EAID

SUBJ: BILATERAL MEETING WITH ECUADOREAN FOREIGN MINISTER LUCIO

PAREDES: US/ECUADOR RELATIONS

1. SUMMARY: IN BILATERAL MEETING MORNING NOVEMBER 10 WITH ECUADOREAN FOREIGN MINISTER LUCIO PAREDES, HE EXPRESSED CONCERN THAT US CONGRESS AND EXECUTIVE BRANCH AS WELL AS INTERNATIONAL LENDING INSTITUTIONS WERE COMING TO CONSIDER ECUADOR A RICH COUNTRY, WHICH IT IS NOT. LUCIO PAREDES SPECIFICALLY RAISED REPORTS THAT OUR CONGRESS MIGHT DEPRIVE OPEC COUNTRIES OF GENERALIZED TARIFF PREFERENCES. HE ALSO MENTIONED OUR RECENT DECISION TO PHASE-OUT GRANT AID TO ECUADOR. I EXPRESSED OUR PLEASURE AT THE RECENT WARMING OF US-ECUADOREAN RELATIONS, ASSURED LUCIO PAREDES THAT THE EXECUTIVE BRANCH WAS GEARED UP TO OPPOSE DEPRIVING ECUADOR OF GENERALIZED TARIFF PREFERENCES, AND INFORMED HIM THAT WE WERE PREPARED TO WORK WITH GOE TO PHASE-DOWN CONCESSIONAL AID IN SUCH A WAY AS TO MINIMIZE ITS ADVERSE IMPACT ON ECUADOR. END SUMMARY

2. ACCOMPANIED BY ASSISTANT SECRETARY ROGERS AND AMBASSADOR BREWSTER, I CALLED ON GOE FOREIGN MINISTER LUCIO PAREDES FOR THIRTY-FIVE MINUTES MORNING NOVEMBER
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10. MEETING DEALT WITH BOTH OAS MATTERS (REPORTED SEPTTEL)

AND US/ECUADOREAN BILATERAL MATTERS.

3. ON BILATERAL FRONT, LUCIO FIRST RAISED ECUADOREAN PREOCCUPATION OVER NEWS THAT OUR CONGRESS IS CONSIDERING DENIAL OF GENERALIZED TARIFF PREFERENCES TO OPEC MEMBERS. IF THIS HAPPENS, IT WILL BE "ANOTHER ACT OF COERCION" AGAINST A RAW MATERIAL PRODUCING COUNTRY IN THIS CONTINENT.

4. I EXPLAINED THIS IS NOT THE EXECUTIVE BRANCH POSITION. LUCIO SAID HE APPRECIATED OUR EXECUTIVE BRANCH POSITION BUT WAS NONETHELESS CONCERNED THAT PRESENT CONGRESSIONAL POSITION MIGHT PREVAIL.

5. I ALSO EXPLAINED TO LUCIO THAT HE MUST PUT HIMSELF IN SHOES OF OUR PEOPLE AND ITS REPRESENTATIVES. THERE IS GREAT CONCERN IN U.S. OVER ACTIONS OF OPEC BECAUSE OIL PRICES HAVE BEEN SET ARBITRARILY HIGH WITHOUT CONSULTATION WITH CONSUMER COUNTRIES. I DID NOT THINK THAT THERE WAS ANYONE IN THE U.S. WHO THOUGHT THAT A COUNTRY SHOULD NOT GET A FAIR PRICE FOR ITS PRODUCT. BUT A FOUR-FOLD PRICE INCREASE HAD BEEN HARD TO ABSORB. HAD IT OCCURRED OVER A LONGER PERIOD OF TIME IT WOULD HAVE BEEN EASIER.

6. LUCIO PAREDES SAID HE UNDERSTOOD OUR VIEW BUT THOUGHT IT WAS UNFAIR TO VIEW ECUADOR AS AN OIL PRODUCING COUNTRY IN THE SAME SENSE AS OTHER OPEC NATIONS. ECUADOR PRODUCES ONLY 200 THOUSAND BARRELS A DAY WHEREAS EVEN A NON-OPEC MEMBER LIKE MEXICO PRODUCES 600,000. WHAT DISTINGUISHES THESE TWO COUNTRIES IS THAT ECUADOR'S INDUSTRIAL CAPACITY IS SO UNDERDEVELOPED THAT IT CANNOT ABSORB EVEN THIS LIMITED PRODUCTION LOCALLY WHEREAS MEXICO'S ENTIRE PRODUCTION IS CONSUMED DOMESTICALLY.

7. LUCIO SAID THAT WHAT REALLY PREOCCUPIES ECUADOR IS THE ERRONEOUS IMPRESSION DEVELOPING IN SOME QUARTERS THAT IT IS A WEALTHY COUNTRY. THIS UNWARRANTED REPUTATION IS AFFECTING ATTITUDES TOWARDS ECUADOR IN INTERNATIONAL ORGANIZATIONS AND LENDING INSTITUTIONS AND EVEN AT THE STATE DEPARTMENT. ONLY RECENTLY AMBASSADOR BREWSTER HAD

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PRESENTED HIM WITH A NEW PLAN FOR PHASING DOWN OUR AID PROGRAM HERE WHICH HAD BEEN SOME CAUSE FOR WORRY.

8. I TOLD PAREDES THAT THE STATE DEPARTMENT DID NOT CONSIDER ECUADOR A WEALTHY COUNTRY BUT THAT WITH LIMITED AID RESOURCES AVAILABLE TO US WE MUST FOCUS ON COUNTRIES WHICH DO NOT HAVE BENEFIT OF OIL REVENUES AND WHICH ARE WORST AFFECTED BY INFLATION. WE ARE NONETHELESS PREPARED

TO BE FLEXIBLE ON THE AID MATTER AND WORK WITH GOE TO PHASE DOWN THE PROGRAM IN A WAY WHICH MINIMIZES THE IMPACT ON THE ECUADOREAN ECONOMY. I ASKED AMBASSADOR BREWSTER TO WORK WITH THE FOREIGN MINISTER ON THIS.

9. AS MEETING ENDED, I EXPRESSED PLEASURE AT THE RECENT IMPROVEMENT IN US/ECUADOREAN RELATIONS. LUCIO REPLIED THAT HE HAD THE SINCEREST DESIRE FOR GOOD RELATIONS WITH US AND THAT AS A CAREER FOREIGN OFFICE OFFICIAL HE HAD NEVER RESORTED TO "INTERNAL DEMAGOGUERY" WITH RESPECT TO THE U.S. LUCIO SAID HE COULD ASSURE ME THAT HE WOULD NEVER DO ANYTHING WHICH WOULD COMPLICATE RELATIONS WITH OUR COUNTRY.

10. ONE FINAL MATTER WHICH CAME UP WAS PLANNING FOR FORTH-COMING AYACUCHO CELEBRATIONS IN PERU (SEE QUITO 7609). LUCIO SAID GOE WAS VERY ABOSRBED IN THESE PREPARATIONS BOTH BECAUSE OF HISTORIC CONDITIONS SURROUNDING ECUADOR/PERU RELATIONS AS WELL AS "DELICATE" FACT THAT PRESIDENT RODRIGUEZ WAS PLANNING TO ATTEND. PAREDES COMMENTED THAT ECUADOR/PERU RELATIONS WERE MOVING ALONG ON A BROAD FRONT ESPECIALLY IN BORDER-INTEGRATION PROJECTS; BUT, NONE-THELESS, THE HISTORY OF PAST RELATIONS MADE THE MATTER SOMEWHAT DIFFICULT.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 NOV 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974QUITO07621
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740323-0999
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741155/aaaabuuu.tel
Line Count: 140
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 16 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 SEP 2002 by cunninfx>; APPROVED <24 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BILATERAL MEETING WITH ECUADOREAN FOREIGN MINISTER LUCIO PAREDES: US/ECUADOR RELATIONS
TAGS: PFOR, EAID, EC, US, (LUCIO PAREDES BENITES, ANTONIO J)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005